

Message Text

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PAGE 01 HONG K 00635 120745Z
ACTION EB-08

INFO OCT-01 EUR-12 EA-10 IO-13 ISO-00 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 FRB-03 H-01 INR-07 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05
SS-15 STR-06 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02
SOE-02 OMB-01 DOE-11 DOEE-00 AF-10 ARA-10 NEA-10
/154 W

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P 120706Z JAN 78
FM AMCONSUL HONG KONG
TO SECSTATE WASHDC PRIORITY 8558
INFO USMISSION GENEVA PRIORITY
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STATE FOR EB/FTD
STATE PASS STR
GENEVA FOR PHELAN
BRUSSELS FOR USEC

E.O. 11652: N/A
TAGS: ETRD, HK, EEC
SUBJECT: TEXTILES: HONG KONG--EEC AGREEMENT

1. IN A MAJOR PUBLIC APPRAISAL OF THE NEW HK-EC BILATERAL TEXTILE AGREEMENT, DIRECTOR OF TRADE, INDUSTRY AND CUSTOMS DAVID JORDAN JANUARY 9 DESCRIBED THE HK-EC TEXT IN RELATIVELY POSITIVE TERMS BEFORE A LARGE AUDIENCE OF BUSINESSMEN AND JORNALISTS. ALTHOUGH HE ACKNOWLEDGED IT AS SERIOUSLY RESTRICTIVE, JORDAN SAW HONG KONG'S NEW EC AGREEMENT AS A SETTLEMENT MORE ADVANTAGEOUS TO HONG KONG THAN THE HKG HAD CONSIDERED POSSIBLE AFTER HEARING TRAN VAN TINH'S AUGUST 1977 PROPOSALS; AND HE COMPARED THE EC AGREEMENT FAVORABLY WITH THE NEW HK-US BILATERAL.

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2. JORDAN NOTED THAT THE HK-EC AGREEMENT BASED FUTURE TRADE IN SENSITIVE ITEMS ON 1977 SHIPMENT LEVELS, WHICH, THOUGH NOT IMPRESSIVE, WOULD AT LEAST REPRESENT MAXIMUM PERMISSIBLE RESTRAINT LEVELS. THE NEW AGREEMENT'S EFFECTS ON TRADE WOULD NOT BE FELT UNTIL EUROPEAN DEMAND REVIES SUFFICIENTLY TO PRESS AGAINST THESE LIMITES. RECALLING THAT THE EC'S INITIAL

NEGOTIATING POSITION WOULD HAVE PUT SPECIFIC LIMITS ON 140
PRODUCT CATEGORIES, JORDAN TOOK SATISFACTION IN THE FINAL
TEXT'S HAVING ONLY 40 SPECIFIC LIMITS. JORDAN ALSO REMINDED
LISTENERS THAT EXPORT CONTROL WOULD REMAIN IN HONG KONG'S HANDS,
A KEY POINT THAT HAD BEEN AT ISSUE DURING THE HK-EC
NEGOTIATIONS.

3. WITH SOME CAVEATS, JORDAN COMPARED THE HK-US AND HK-EC
AGREEMENTS IN BROAD TERMS. HE NOTED THE FLEXIBILITY OF THE EC
AGREEMENT, CITING CARRYOVER, CARRY-FORWARD AND PARTICULARLY
GROUP SWING PROVISIONS AS MORE GENEROUS THAN THOSE IN THE US
AGREEMENT. HE ALSO SAW A COMPARATIVE ADVANTAGE IN THE EC
AGREEMENT'S NOT CONTAINING AN OVERALL LIMIT. RESPONDING TO
A REPORTER'S QUESTION WHETHER THE USG WOULD RENEGOTIATE ITS
AGREEMENT WITH HONG KONG IN VIEW OF THE HK-EC TERMS JORDAN
SAID "I DON'T KNOW. I WOULD NOT RULE IT OUT. I HOPE NOT."

4. COMMENT: AS HKG CHIEF NEGOTIATOR LAURIE MILLS INFORMED
CONGENOFF LAST WEEK, JORDAN'S SPEECH IS INTENDED FOR
INTERNATIONAL AS WELL AS LOCAL CONSUMPTION. JORDAN'S
DESCRIPTION OF THE HK-EC AGREEMENT "IN PERSPECTIVE" MIGHT
DISPEL SOME OF THE LINGERING GLOOM CREATED IN HONG KONG
BY GOVERNMENT AND INDUSTRY CASSANDRAS DURING THE HK-EC TALKS.
HIS COMMENTS ON THE EC AGREEMENT'S FLEXIBILITY PROVISIONS
SUGGEST ONE LINE OF HKG ARGUMENT SHOULD THE USG SEEK TO
TIGHTEN THE HK-US AGREEMENT BY REDUCING SPECIFIC LIMITS.
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5. FULL TEXT OF JORDAN SPEECH BEING POUCHED TO DEPARTMENT
EB/FTD, EA/PRCM, TO GENEVA AND BRUSSELS. SHOESMITH

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